



August 25, 2022

Assemblymember Timothy Grayson
Chair, Assembly Banking and Finance
California Capitol Building
Sacramento, CA 95814

RE: SUPPORT IF AMENDED: AB 2269 (Grayson): Digital Asset Licenses (As amended 8/22/22)

Dear Assemblymember Grayson:

On behalf of Chamber of Progress, a tech industry association working to ensure that all Americans benefit from technological leaps, I write to express our remaining concern with AB 2269. Our organization promotes a progressive society, economy, workforce, and consumer climate. While we do have partner companies, they do not receive a vote or a veto on our positions.

Like you, we know the importance of promoting responsible crypto innovation and supporting good actors in the industry. All Californians will benefit from thoughtful regulation that establishes clear rules of the road for crypto companies.

We appreciate the provisions in AB 2269 (Grayson) that address the need for all stablecoin providers to have adequate reserves on hand; anti-money laundering (AML) protections; fraud detection; and insider trading bans to weed out bad actors in the crypto space and protect consumers.

We thank the author for addressing our most important concerns with the June 30, 2022 version of the bill:

- The bill was amended to allow companies submitting an application for licensure before January 1, 2025 to continue operations while awaiting approval or denial of their application. This will avoid disruption of services provided for California customers.
- The bill was amended to exempt companies with digital financial asset business activity valued at \$50,000 or less. This will allow smaller or new companies to develop innovative products in the state at a smaller scale before licensure is required, although it would be optimal if the limit were raised to \$100,000.
- The bill was amended to clarify that reporting requirements are necessary when changes have a material impact on digital financial asset business activity.

The United States has been in need of clear rules of the road for the incredibly nascent crypto industry, which has faced recent challenges with fraud, hackers, bank runs and liquidity. This bill gives California a seminal moment to showcase its regulatory model across the nation, testing a permission-based licensing model's effectiveness of maintaining innovation and attracting competition to the state. With the licensing model, California seeks to establish a veil to protect consumers.

We encourage California leaders to avoid implementing unnecessary licensing and compliance regulations that stymie consumer adoption for an industry poised to achieve an [\\$11 trillion market cap](#) by 2023. AB 2269 (Grayson) has an opportunity to protect consumers and bolster innovation through its licensing process, if amended to address concerns. We propose the following amendments to the bill to ensure Californians don't miss out on crypto-related opportunities:

- **Permit Algorithmic Stablecoin Licensing** - Because algorithmic stablecoins are not pegged to a fiat currency, they do not meet the requirements for successfully receiving licensure. This bill should not restrict the acquiring of algorithmic stablecoins to accredited investors; instead, this bill should create a regulatory sandbox specifically for algorithmic cryptocurrencies to intensively monitor compliance without fear of enforcement actions. This would allow California regulators and lawmakers to bring more crypto companies to the state, and encourage responsible innovation of cutting-edge cryptocurrency trends while protecting consumers from harm.
- **Clarify the Scope of the Department of Financial Protection and Innovation (DFPI)** - The bill should clarify which digital assets, if any, fall within the scope of being financial products or services regulated by the DFPI and requiring this licensure or if they are under the jurisdiction of another regulatory agency in California.

We continue to stress that thoughtful regulation must be established—and regularly revisited—to promote competitiveness for California in a nascent industry. We support the establishment of a clear and transparent market for consumers, so that they can make decisions on product choice to the best of their abilities.

Thank you for your leadership in establishing regulatory rules of the road and setting a precedent for thoughtful crypto policy in the California state legislature. **For the reasons stated above, Chamber of Progress supports AB 2269 (Grayson) if amended.**

Sincerely,



Janay Eyo
Director, Financial Policy
Chamber of Progress